

CITY OF EDMONDS, WASHINGTON

ORDINANCE NO. 3862

AN ORDINANCE of the City of Edmonds, Washington, relating to contracting indebtedness; providing for the issuance of not to exceed \$12,500,000 of the City's limited tax general obligation refunding bonds to carry out the refunding of certain outstanding limited tax general obligation bonds of the City and to pay the administrative costs of such refundings and the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the Finance Director as the City's designated representative to approve the final terms of the sale and issuance of the bonds, to appoint a refunding trustee and to take certain other actions with respect to carrying out the refundings and the issuance of the bonds; and repealing ordinance No. 3837 of the City.

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THE CITY COUNCIL OF THE CITY OF EDMONDS, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Findings and Determinations. The City Council of the City of Edmonds, Washington (the "City") makes the findings and determinations set forth below. Capitalized terms have the meanings given in Section 2.

(a) *The Refunding Candidates.* The City has previously issued the following limited tax general obligation bonds (the "Refunding Candidates"):

- (1) 1998 Bonds. The 1998 Bonds were issued in the original principal amount of \$4,480,000 for the purpose of refunding the City's then-outstanding Limited Tax General Obligation Bonds, 1993 and Limited Tax General Obligation Bonds, 1995. The refinanced projects include a public works building; and the acquisition and renovation of a building and adjacent parking spaces to serve as the new city hall. The outstanding 1998 Bonds are callable at any time at a price of par plus accrued interest to the date fixed for redemption.
- (2) 2001A Bonds. The 2001A Bonds were issued in the original principal amount of \$3,045,000 for the purpose of paying a portion of the costs of making improvements to the Frances Anderson Recreational Center, replacing the Edmonds library roof, funding a sewer rehabilitation project and street improvements. The outstanding 2001A Bonds maturing on or after December 1, 2012 are callable at any time on or after December 1, 2011 at a price of par plus accrued interest to the date fixed for redemption.
- (3) 2001B Bonds. The 2001B Bonds were issued in the original principal amount of \$2,260,000 for the purpose of purchasing certain property for park and other

purposes. The outstanding 2001B Bonds maturing on or after December 1, 2012 are callable at any time on or after December 1, 2011 at a price of par plus accrued interest to the date fixed for redemption. In addition to a pledge of taxes, the City also pledged the proceeds of any grants received by the City for the purchase of park and open space property to the payment of principal of and interest on the 2001B Bonds.

- (4) 2002 Bonds. The 2002 Bonds were issued in the original principal amount of \$7,015,000 for the purpose of paying a portion of the costs of acquiring and renovating facilities for a performing arts theatre, creating on-site parking, and constructing a meeting room for the theatre. The outstanding 2002 Bonds maturing on or after December 1, 2013 are callable at any time on or after December 1, 2012 at a price of par plus accrued interest to the date fixed for redemption. In addition to a pledge of taxes, the City also pledged to the payment of principal of and interest on the Bonds the proceeds of certain intergovernmental payments received from the Edmonds Public Facilities District and from the Snohomish County Public Facilities District under the County Interlocal Agreement, and further pledged the proceeds of certain Real Estate Excise Taxes imposed by the City under RCW 82.41.010.

(b) Approval of Final Terms of the Bonds. RCW 39.46.040(2) provides that an ordinance authorizing the issuance of bonds may authorize an officer of the City to serve as the City's Designated Representative and to accept, on behalf of the City, an offer to purchase those bonds so long as the acceptance of such offer is consistent with terms established by an ordinance that establishes, or sets parameters with respect to, the following Final Terms: the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates); payment dates, final maturity, redemption rights, price, minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes), and any other terms and conditions deemed appropriate by the City Council.

(c) Finding with Respect to Refunding. The City Council finds that, upon a determination by the Designated Representative that such a refunding will result in a savings to the City as further set forth in Section 14, the Refunding Candidates may be refunded by the issuance of the Bonds.

Section 2. Definitions. As used in this ordinance, the following words shall have the following meanings:

(a) "1998 Bonds" means the City's outstanding Limited Tax General Obligation Refunding Bonds, 1998, authorized by Ordinance No. 3235, passed on December 15, 1998.

(b) "2001A Bonds" means the City's outstanding Limited Tax General Obligation Bonds, 2001, authorized by Ordinance No. 3372, passed on August 21, 2001.

(c) "2001B Bonds" means the City's outstanding Limited Tax General Obligation Bonds, 2001 Series B, authorized by Ordinance No. 3388, passed on December 11, 2001.

(d) “*2002 Bonds*” means the City’s outstanding Limited Tax General Obligation Bonds, 2002, authorized by Ordinance No. 3425, passed on November 7, 2002.

(e) “*Acquired Obligations*” means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other Government Obligations purchased to accomplish the refunding of the Refunded Bonds.

(f) “*Authorized Denominations*” means \$5,000 or any integral multiple thereof within a maturity.

(g) “*Beneficial Owner*” means the owner of any beneficial interests in the Bonds.

(h) “*Bond Counsel*” means Foster Pepper PLLC or any other nationally recognized bond counsel firm then representing the City.

(i) “*Bond Fund*” means a special fund for the payment of the principal of and interest on any Series of Bonds created or designated by the Finance Director pursuant to this ordinance.

(j) “*Bond Purchase Contract*” means an offer to purchase the Bonds (or any Series of Bonds) presented by an underwriter (or other purchaser) and accepted by the Designated Representative, acting on behalf of the City, setting forth certain terms and conditions of the issuance, sale and delivery of any Series of the Bonds. In the case of a competitive sale of Bonds, the offer shall mean the submitted bid (which incorporates all of the terms and conditions set forth in the Notice of Bond Sale), and the award by the Designated Representative to the successful bidder shall constitute the acceptance of the Bond Purchase Contract.

(k) “*Bond Register*” means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of each Bond and the principal amount and number of Bonds held by each owner.

(l) “*Bond Registrar*” means the Fiscal Agent.

(m) “*Bonds*” means the limited tax general obligation refunding bonds issued pursuant to this ordinance.

(n) “*City*” means the City of Edmonds, Washington.

(o) “*Closing Date*” means the date on which a Series of Bonds is delivered to the initial purchaser or purchasers thereof upon payment in full therefor.

(p) “*Code*” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(q) “*County*” means Snohomish County.

(r) “*County PFD*” means the Snohomish County Public Facilities District.

(s) “*County PFD Interlocal Agreement*” or “*County Interlocal Agreement*” means the Interlocal Agreement for Development of the Edmonds Centre [sic] for the Arts, dated November 4, 2002, by and among the City, the Edmonds PFD, the Snohomish County PFD and the County, and recorded under County recording number 200211060003.

(t) “*DTC*” means The Depository Trust Company, New York, New York.

(u) “*Designated Representative*” means the Finance Director, appointed in Section 3 of this ordinance to serve as the City’s designated representative in accordance with RCW 39.46.040(2).

(v) “*Edmonds PFD*” means the Edmonds Public Facilities District.

(w) “*Final Terms*” means the terms and conditions for the sale of any Series of Bonds including, but not limited to the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

(x) “*Finance Director*” means the Finance Director of the City or any other City official who succeeds to the duties now delegated to that office, or the designee of such officer.

(y) “*Financial Advisor*” means A. Dashen and Associates of Bellevue, Washington, or any other Financial Advisor then appointed and acting as financial advisor to the City.

(z) “*Fiscal Agent*” means the fiscal agent of the State, currently The Bank of New York Mellon, as the same may be designated by the State from time to time.

(aa) “*Government Obligations*” has the meaning given in chapter 39.53 RCW, as it now exists or may hereafter be amended.

(bb) “*Intergovernmental Payments*” means the amounts received by the City from the Edmonds PFD and the County PFD under the County PFD Interlocal Agreement.

(cc) “*Letter of Representations*” means the Blanket Issuer Letter of Representations dated August 6, 1996, between the City and DTC, as it may be amended from time to time.

(dd) “*MSRB*” means the Municipal Securities Rulemaking Board.

(ee) “*Owners*” means, without distinction, the Registered Owner(s) and the Beneficial Owner(s).

(ff) “*Rating Agency*” means a nationally recognized rating agency or agencies, if any, providing a rating on the Bonds at the request of the City.

(gg) “*Real Estate Excise Taxes*” means the proceeds of the real estate excise taxes imposed by the City under RCW 82.41.010.

(hh) “*Redemption Date*” means the date or dates fixed for redemption of each series of the Refunded Bonds, respectively.

(ii) “*Refunded Bonds*” means all or a portion of the Refunding Candidates selected by the Designated Representative to be refunded with the proceeds of the Bonds.

(jj) “*Refunded Bond Ordinance(s)*” means the ordinance authorizing a particular issue of the Refunding Candidates, as applicable.

(kk) “*Refunding Candidates*” means the following currently outstanding bonds of the City:

<b>Bond Issue</b>	<b>Amount Currently Outstanding</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Call Date</b>	<b>Authorizing Ordinance No.</b>
1998 Bonds	\$1,305,000	4.30 – 4.40%	12/1/2014	12/1/2008	3235
2001A Bonds	1,835,000	4.35 – 4.90%	12/1/2021	12/1/2011	3372
2001B Bonds	1,390,000	4.90 – 5.45%	12/1/2021	12/1/2011	3388
2002 Bonds	5,970,000	3.75 – 4.90%	12/1/2026	12/1/2012	3425

(ll) “*Refunding Plan*” means (as further described in the applicable Refunding Trust Agreement):

- (1) the deposit with the Refunding Trustee of an amount of proceeds of a Series of the Bonds sufficient (together with other money of the City, if necessary) to acquire the Acquired Obligations to be held by the Refunding Trustee with cash, if necessary;
- (2) the application of the principal of and interest on the Acquired Obligations (and any other cash balance) to the call, payment and redemption of the specified Refunded Bonds on the applicable Redemption Date(s) at a price of par plus any accrued interest; and
- (3) the payment of costs of issuing the Series of Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

(mm) “*Refunding Trust Agreement*” means a refunding trust or escrow agreement between the City and the Refunding Trustee, dated as of the Closing Date of each Series of Bonds, providing for the safekeeping of bond proceeds and the refunding certain Refunded Bonds.

(nn) “*Refunding Trustee*” means the trustee or escrow agent, or any successor trustee or escrow agent, designated by the Designated Representative to serve as refunding trustee to carry out the Refunding Plan.

(oo) “*Registered Owner*” means any person or entity who is the registered owner of any Bond.

(pp) “*Registration Ordinance*” means City Ordinance No. 2451 establishing a system of registration for the City’s bonds and other obligations.

(qq) “*Rule*” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

(rr) “*SEC*” means the United States Securities and Exchange Commission.

(ss) “*Series of Bonds*” or “*Bonds of a Series*” or “*Series*” means a series of Bonds issued pursuant to this ordinance.

(tt) “*State*” means the State of Washington.

(uu) “*Term Bond*” means those Bonds that are designated as term bonds in the Bond Purchase Contract.

(vv) “*Undertaking*” means a continuing disclosure agreement authorized to be executed by the Designated Representative, pursuant to Section 18 of this ordinance.

(ww) “*Underwriter*” means the firm or firms selected by the Designated Representative as the underwriter(s) for a negotiated sale or awarded as the successful bidder in a competitive sale.

Section 3. Purpose and Authorization of the Bonds. In order to achieve a cost savings for the City and to modify debt service requirements, the City Council finds it to be in the best interest of the City to authorize the issuance and sale of the Bonds for the purposes and subject to the terms and conditions described below. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation refunding bonds evidencing indebtedness for general municipal purposes to provide the funds necessary to (i) carry out the refunding of the Refunding Candidates; and (ii) pay the administrative costs of carrying out such refunding and the costs of sale and issuance of the Bonds.

Section 4. Description of the Bonds; Appointment of Designated Representative. The Finance Director is appointed as the City’s Designated Representative and is authorized and directed to conduct the sale of such Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of the Bonds, within the following parameters:

(a) *Amount.* The Bonds may be issued in one or more series and shall not exceed the aggregate principal amount of \$12,500,000. The principal amount of any Series of Bonds (i) may exceed the principal amount of the Refunded Bonds being refunded by an amount deemed reasonably required to effect such refunding, including without limitation provision for modifying debt service requirements or for selling the Bonds at a discount, or (ii) may be less than or the same as the principal amount of the Refunded Bonds, so long as provision is duly and sufficiently made for the retirement or redemption of those Refunded Bonds. Portions of the various maturities of Bonds shall be allocated to paying the respective costs of carrying out the Refunding Plan for the appropriate series of Refunded Bonds, including a ratable share of proceeds used to pay the costs of issuance of the Bonds, in accordance with a schedule approved by the Designated Representative.



(b) *Date or Dates.* Each Series of Bonds shall be dated as of its date of delivery to the initial purchaser, which date may not be later than December 31, 2012.

(c) *Denominations, Series Designation, etc.* The Bonds must be issued in Authorized Denominations, shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.

(d) *Interest Rate(s).* The Bonds shall bear interest at fixed rates per annum (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds, which rate or rates must be in multiples of  $1/8^{\text{th}}$  or  $1/20^{\text{th}}$  of 1%, or both. No more than one rate of interest may be fixed for any one maturity. No rate of interest for any maturity may exceed 5.50%, and the “all-in” true interest cost to the City for any Series of Bonds may not exceed 5.00%.

(e) *Payment Dates.* Interest must be payable at fixed rates semiannually (on each June 1 and December 1, or such other semiannual dates as are selected by the Designated Representative), commencing on the next such semiannual date following the issuance of the Series of Bonds. Principal must be payable annually (on each December 1, or such other annual date as is selected by the Designated Representative) commencing no earlier than the next such annual date following the issuance of the Series of Bonds.

(f) *Final Maturity.* The Bonds allocated to carrying out a refunding to achieve a savings shall not extend over a longer period of time than the Refunded Bonds. Bonds allocated to carrying out a refunding to modify debt service requirements may mature no later than December 1, 2031.

(g) *Redemption Rights.* The Bonds shall be issued subject to optional and mandatory redemption provisions, including designation of Term Bonds, if any, set forth in Section 9.

(h) *Price.* The purchase price for any Series of Bonds may not be less than 95% or more than 115% of the par value of that Series.

(i) *Minimum Savings for Refunding Bonds.* The Bonds being refunded to achieve a savings must achieve a positive net present value savings after paying all costs of issuance. The Bonds allocated to the advance refunding of the 2002 Bonds must achieve a minimum of 3.00% net present value savings over the scheduled principal and interest of the 2002 Bonds, giving consideration to the fixed maturities of the corresponding Bonds and Refunded Bonds, the costs of issuance of the Bonds, and the known earned income from the investment of the Bond proceeds in the Acquired Obligations, pending redemption of the Refunded Bonds.

(j) *Other Terms and Conditions.*

(1) The issuance of each Series of Bonds may not exceed the City’s debt capacity at the time of issuance.

(2) The Bonds may be sold by either negotiated sale or by competitive bid, in accordance with Section 15.

- (3) The Designated Representative, in consultation with the City's financial advisor, may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement. With respect to bond insurance or other credit enhancement, the Designated Representative may accept, on behalf of the City, such additional terms, conditions, and covenants as may be required by the enhancement provider, if consistent with the provisions of this ordinance.
- (4) The Designated Representative is authorized to take such additional actions as may be necessary or convenient for the refunding of the Refunded Bonds and for the issuance of the Bonds pursuant to the terms of this ordinance, all as further set forth in Section 15 of this ordinance.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds.* The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register.

(b) *Bond Registrar.* The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and City's Registration Ordinance. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become either a Registered or Beneficial Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial Owners.

(c) *Transfer and Exchange of Bonds.* Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

(d) *DTC and the Book Entry System.* The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to

be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and, except for the purpose of the City's undertaking herein to provide continuing disclosure, shall not mean the Beneficial Owners. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the City or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the City that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained or (ii) the City determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 6. Form and Execution of Bonds. The Bonds shall be prepared in a form consistent with the provisions of this ordinance and state law and shall be signed by the Mayor and City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate Of Authentication. This Bond is one of the fully registered City of Edmonds, Washington, Limited Tax General Obligation Refunding Bonds, [appropriate year and series designation, if any], described in the Bond Ordinance." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose manual or facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized

to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Each Bond issued to refund the 2002 Bonds shall include on such Bond and in any disclosure document for the sale of any such Bond, substantially the following statement, as required by Section C.4 of the County PFD Interlocal Agreement:

The Bonds allocated to the refunding of the 2002 Bonds (the "PFD Allocation Bonds") are obligations of the City, payable from project payments transferred to the City by the Edmonds PFD, from certain real estate excise tax receipts and from other money of the City legally available therefor. The PFD Allocation Bonds are not obligations of the Edmonds PFD, the County or the County PFD.

The Edmonds PFD, the County and the County PFD are political subdivisions of the state of Washington separate from the City. All liabilities incurred by the City incurred in connection with the Edmonds PFD shall be satisfied exclusively from the assets, credit, and property of the City and no creditor or other person shall have any right of action against or recourse to the Edmonds PFD (except to the extent of required payments under the County PFD Interlocal Agreement), the County PFD, the County, or any of their respective assets, credit or services on account of any debts, obligations, liabilities or omissions of the City.

The County PFD is a municipal corporation organized under RCW 36.100.010 and Amended Ordinance No. 01-041 of Snohomish County. Amended Ordinance No. 01-041 expressly provides "All liabilities incurred by the [County PFD] shall be satisfied exclusively from the assets, credit and property of the [County PFD] and no creditor or other person shall have any right of action against or recourse to the County, its assets, credit or services on account of any debts, obligations, liabilities or omissions of the [County PFD]."

Section 7. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations. If the Bonds cease to be in book-entry-only form, interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the Registered Owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or by electronic transfer on the interest payment date. The City shall not be required to make electronic transfers except to a Registered Owner of Bonds pursuant to a request in writing (and at the sole expense of that Registered Owner) received at least 10 days before an interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar.

Section 8.      **Redemption Provisions and Open Market Purchase of Bonds.**

(a)      *Optional Redemption.* The City's Designated Representative may designate certain maturities of the Bonds as being subject to redemption at the option of the City prior to their respective maturities on the dates and at the prices set forth in the Bond Purchase Contract. The Designated Representative may also, in his or her discretion, designate certain maturities of the Bonds as not being subject to optional redemption prior to maturity.

(b)      *Term Bonds.* The Designated Representative may approve the designation of certain maturities of the Bonds as Term Bonds, as set forth in the Bond Purchase Contract. The City shall redeem Term Bonds, if not previously redeemed under any optional redemption provisions or purchased and surrendered for cancellation under the provisions set forth below, at a price of par plus accrued interest on the annual redemption dates and in annual redemption amounts approved by the Designated Representative. If the City redeems under the optional redemption provisions, purchases in the open market or defeases Term Bonds, the par amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

(c)      *Partial Redemption.* Portions of the principal amount of any Series of Bonds, in any Authorized Denomination, may be redeemed. If less than all of the principal amount of any Series of Bonds is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

(d)      *Selection of Bonds for Redemption.* If fewer than all of the Bonds within a maturity are to be redeemed prior to maturity, Bonds shall be selected for redemption randomly within a maturity in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

(e)      *Notice of Redemption.* While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form unless waived by any Registered Owner of the Bonds to be redeemed, the City shall cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Registered or Beneficial Owner of any Bond.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB consistent with the Undertaking, to any nationally recognized rating agency which at the time maintains a rating on the Bonds at the request of the City, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

(f) *Effect of Redemption.* Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless the notice of redemption is rescinded as set forth above.

(g) *Open Market Purchase.* The City further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

(h) *Cancellation of Bonds.* All Bonds purchased or redeemed under this section shall be canceled.

Section 9. Failure To Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or on the date set for redemption, if applicable, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date set for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 10. Security for the Bonds.

(a) *Pledge of Taxes.* For as long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on those general obligation Bonds, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

(b) *Additional Pledge with respect to 2002 Refunding Allocation.* In addition, as required by the County Interlocal Agreement, the City expressly pledges to the payment of the principal of and interest on that portion of the Bonds allocated to the refunding of the 2002 Bonds, the following resources, in the following order: (i) proceeds of the Intergovernmental Payments received by the City under the County Interlocal Agreement received by the City as a result of the sales tax collected by the Edmonds PFD; (ii) proceeds of the Real Estate Excise

Taxes imposed by the City under RCW 82.41.010; and (iii) proceeds of the Intergovernmental Payments received by the City under the County Interlocal Agreement received by the City as a result of the sales tax collected by the County PFD.

Section 11. Tax Matters.

(a) *Preservation of Tax Exemption for Interest on Bonds.* The City covenants that it will take all actions reasonably necessary and within its control to prevent interest on the Bonds from being includable in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

(b) *Designation of Bonds as "Qualified Tax-Exempt Obligations."* The Bonds are designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if (a) the Finance Director is able to determine and certify that the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Bonds are issued will not exceed \$10,000,000; and (b) the amount of tax-exempt obligations, including the Bonds, so designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed \$10,000,000.

Section 12. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or Government Obligations maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or

defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 13. Bond Fund; Deposit of Bond Proceeds.

(a) *Bond Fund.* The Bond Fund is created for the purpose of paying principal of and interest on the Bonds. The Finance Director may create such accounts within the Bond Fund as he or she may deem necessary or convenient for the tracking of each Series of Bonds. All taxes collected for and other amounts allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

(b) *Deposit of Bond Proceeds.* The principal proceeds and premium, if any, received from the sale and delivery of the Bonds shall be used to pay the costs of issuance of the Bonds and deposited, invested and used in accordance with the applicable Refunding Plan and Section 15 of this ordinance.

Section 14. Refunding of the Refunded Bonds.

(a) Selection of Refunded Bonds, Redemption Dates and Refunding Trustee. Under the terms and conditions set forth by this ordinance, the Designated Representative is authorized to select applicable Refunding Candidates to be refunded by each Series of Bonds, to designate the applicable Redemption Date and to appoint the Refunding Trustee for each Series of Bonds. The Designated Representative may choose to refund less than all of the Refunding Candidates and may serve as, or appoint separately, the Refunding Trustee for any Series of Bonds.

(b) Findings and Determinations with Respect to the Refundings. Prior to approving the sale of a Series of Bonds, the Designated Representative shall identify the Refunded Bonds to be refunded by the sale of such Series, and shall make the following determinations in writing:

- (1) The Redemption Date is the earliest practical date or dates on which the Refunded Bonds may be called for redemption;
- (2) The savings that will be effected (as measured by the difference between the principal and interest cost over the life of Bonds and the principal and interest cost over the life of the Refunded Bonds but for such refunding) exceeds the minimum savings required by Section 4 of this ordinance. In determining such savings, the Designated Representative has given due consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of the issuance and



sale of the Bonds and other money of the City used in the Refunding Plan pending payment and redemption of the Refunded Bonds authorized by this ordinance; and

- (3) The Refunding Plan will be effected by the issuance and sale of the Bonds and the application of the proceeds of such Bonds (together with other money of the City, if necessary) to carrying out the Refunding Plan and that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with the Refunding Plan will be sufficient (together with interest earned on the Acquired Obligations) to discharge and satisfy the obligations of the City under Refunded Bond Ordinances.

The City Council finds that, based on the foregoing determinations, the pledges, charges, trusts, covenants, and agreements of the City made or provided for in the applicable Refunded Bond Ordinances, immediately upon the deposit of sufficient proceeds of the Bonds with the Refunding Trustee, the Refunded Bonds shall no longer be deemed to be outstanding under the applicable Refunded Bond Ordinances.

(c) *Authorization for Refunding Trust Agreement.* The Designated Representative and the Mayor are each independently authorized to execute and deliver to the Refunding Trustee a Refunding Trust Agreement, which sets forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the Refunding Plan, provisions for payment of the fees, compensation and expenses of such Refunding Trustee, and such other provisions as may be necessary so that the Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(d) *Call for Redemption of Refunded Bonds.* The Designated Representative is authorized to call, on behalf of the City, the Refunded Bonds for redemption on their respective Redemption Date(s) in accordance with this ordinance. In addition to such other information as may be necessary or convenient, the call for redemption shall specify the name of the Refunded Bonds being called, their maturity dates, their Redemption Date(s) and redemption prices (expressed as a percentage of par, plus accrued interest), and shall be irrevocable after the Bonds are delivered to the initial purchaser thereof. The Designated Representative, the Mayor and other proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required pursuant to the Refunded Bond Ordinances, in order to effect the defeasance and redemption prior to maturity of the Refunded Bonds.

(e) *Use of Bond Proceeds.* The proceeds of each Series of Bonds (together with other money of the City, if necessary) in an amount sufficient to carry out the Refunding Plan shall, immediately upon receipt, be deposited with the Refunding Trustee as set forth in the Refunding Trust Agreement. The Refunding Trustee shall use the money so deposited to discharge the obligations of the City relating to the Refunded Bonds under the Refunded Bond Ordinances by providing for the payment of the amounts required to be paid by the Refunding Plan. The Refunding Plan shall be carried out, and proceeds of the Bonds shall be applied, in accordance with this ordinance and the laws of the State.

(f) *Acquisition and Substitution of Acquired Obligations.* The Refunding Trust Agreement shall authorize and direct the Trustee to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income earned on the amounts so deposited shall be held irrevocably, invested and applied in accordance with the provisions of the ordinance that authorized the Refunded Bonds, this ordinance, chapter 39.53 RCW and other applicable statutes of the State, and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Bonds, including bond printing, verification fees, Bond Counsel's fees and other related expenses, may be paid out of the proceeds of the Bonds. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement, but are subject to substitution as set forth below. Prior to the purchase of any such Acquired Obligations, the City reserves the right to substitute other Government Obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if (i) in the opinion of Bond Counsel, the interest on the Bonds and the Bonds issued as tax-exempt obligations will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (ii) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized firm of independent certified public accountants. After the purchase of the Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute therefor cash or Government Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations under such section of the Code in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds, and that the City obtain: (i) verification by a nationally recognized independent certified public accounting firm reasonably acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the Government Obligations, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (ii) an opinion from Bond Counsel to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds issued as tax-exempt obligations to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and may be used for any lawful City purpose.

Section 15. Manner of Sale of Bonds. The Designated Representative is authorized to engage Bond Counsel and a Financial Advisor to advise the City in connection with the issuance and sale of the Bonds. In consultation with these professionals, City officials, and other appropriate City staff and advisors, the Designated Representative shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current interest rates for obligations comparable to the Bonds and determine whether to offer the Bonds for sale at competitive bid or through a negotiated sale.

(a) *Procedure for Negotiated Sale.* If the Designated Representative determines that any Series of Bonds should be sold by negotiated sale, the Designated Representative shall solicit one or more Underwriters with which to negotiate the sale of those Bonds. The bond purchase contract for each Series of Bonds shall set forth the Final Terms of the Series of Bonds. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(b) *Procedure for Competitive Sale.* A competitive sale shall include preparation of an official notice of bond sale for each Series of Bonds, setting forth parameters for the Final Terms of such sale and any other bid parameters that the Designated Representative deems appropriate consistent with this ordinance. Bids for the purchase of each Series of Bonds shall be received at such time or place and by such means as the Designated Representative directs. The Designated Representative may direct that the official bond sale or an abridged form thereof be published in such additional places as he or she deem desirable or appropriate. On the date and time established for the receipt of bids for a Series of Bonds, the Designated Representative (or his or her designee) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the City, the winning bid and accept the winning bidder's offer to purchase the Series of Bonds, with such adjustments to the aggregate principal amount and principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this ordinance. The Designated Representative may, in his or her discretion, reject any or all bids submitted and may waive any formality or irregularity in the bid or bidding process if he or she deems it to be in the City's best interest to do so. If all bids are rejected, the Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of the City, within the parameters set forth in this ordinance.

CUSIP numbers will be printed on the Bonds if requested by the Underwriter, but neither failure to print CUSIP numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the responsibility of and shall be paid by the purchasers.

Section 16. Official Statement.

(a) *Preliminary Official Statement Under the Rule.* The Designated Representative and Mayor are each independently authorized to review and approve the information about the City contained in any preliminary official statement (the "Preliminary Official Statement")

prepared in connection with the public offering and sale of each Series of Bonds to be sold to the public; and (for the sole purpose of aiding a participating underwriter in its compliance with Section (b)(1) of the Rule, if applicable) “deem final” that Preliminary Official Statement as of its date, except for the omission of information permitted to be omitted by the Rule and approve or ratify the distribution of that preliminary official statement to potential purchasers of the Bonds.

(b) *Approval of Official Statement.* The Designated Representative and Mayor are each independently authorized to review and approve distribution of a final official statement with respect to each Series of Bonds to be sold to the public. The City agrees to cooperate with the purchaser of such Series of Bonds to deliver or cause to be delivered, within such period as may be required by applicable law, copies of the final official statement pertaining to such Series of Bonds in sufficient quantity to comply with paragraph (b)(4) of the Rule and rules of the MSRB.

Section 17. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of the Rule, as applicable to a participating underwriter for the Bonds, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Bonds in substantially the form attached as Exhibit A.

Section 18. Supplemental Ordinances. The City Council from time to time and at any time may pass an ordinance or ordinances supplemental to this ordinance which supplemental ordinance or ordinances thereafter shall become a part of this ordinance, in order to: (a) add covenants and agreements that do not adversely affect the interests of the holders and owners of the Bonds, or to surrender any right or power reserved to or conferred upon the City; or (b) cure any ambiguities or to cure, correct or supplement any defective provision contained in this ordinance in a manner that does not materially adversely affect the interest of the holders and owners of the Bonds.

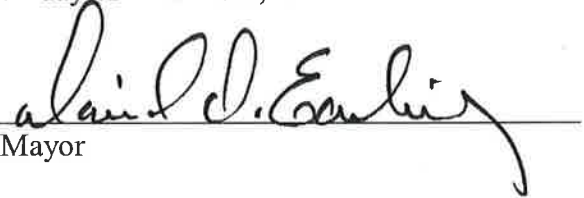
Section 19. General Authorization; Delivery of Bonds. The Designated Representative, the Mayor and other appropriate officers of the City are each authorized to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated in connection with, this ordinance. The Bonds are to be printed at City expense and are to be delivered to the purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 20. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 21. Prior Bond Authorization Repealed. Ordinance No. 3837 of the City authorizing the sale and issuance of general obligation bonds and revenue bonds for the purpose of refunding certain indebtedness of the City is hereby by repealed and is of no effect whatsoever.

Section 22. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Edmonds, Washington, at an open public meeting thereof, this 6<sup>th</sup> day of December, 2011.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
FOSTER PEPPER PLLC  
Bond Counsel

Filed with the City Clerk:	12-02-2011
Passed by the City Council:	12-06-2011
Published:	12-11-2011
Effective Date:	12-16-2011

## EXHIBIT A

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### Form of CONTINUING DISCLOSURE AGREEMENT

To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Limited Tax General Obligation Refunding Bonds, 20\_\_ (the “Bonds”) issued as of the date hereof by the City of Edmonds, Washington (the “City”), the City makes the written Undertaking set forth below, for the benefit of holders of the Bonds. Capitalized terms not defined herein have the meanings set forth in Ordinance No. 3862 of the City.

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(1) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(2) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(3) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(1) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with generally accepted accounting principles applicable to State local governmental units such as the City, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (2) general obligation debt that has been authorized and the amount outstanding; (3) assessed valuation for the fiscal year; (4) regular *ad valorem* property tax levy rate, amount, rate limitation and percentage of tax collected during the fiscal year; and (5) amount of general fund revenues from other major tax sources;

(2) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2010; and

(3) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the Securities and Exchange Commission.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel

familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any Beneficial Owner of a Bond shall be to take such actions as that Beneficial Owner deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Officer of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the City in respect of the Bonds set forth in this section and in accordance with Rule 15c2-12, including, without limitation, the following actions:

(1) Preparing and filing the annual financial information undertaken to be provided;

(2) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(3) Determining whether any person other than the City is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person in accordance with Rule 15c2-12;

(4) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(5) Effecting any necessary amendment of the Undertaking.

Dated \_\_\_\_\_, 20\_\_.

CITY OF EDMONDS, WASHINGTON

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## CERTIFICATION

I, the undersigned, City Clerk of the City of Edmonds, Washington (the "City"), hereby certify as follows:

1. The attached copy of Ordinance No. 3862 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on December 6, 2011, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five days after publication in the City's official newspaper; and

2. A quorum of the members of the City Council was present throughout the meeting and a majority of its members voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 6<sup>th</sup> day of December, 2011.

CITY OF EDMONDS, WASHINGTON

  
\_\_\_\_\_  
City Clerk

# Affidavit of Publication

STATE OF WASHINGTON,  
COUNTY OF SNOHOMISH

}

S.S.

The undersigned, being first duly sworn on oath deposes and says that she is Principal Clerk of THE HERALD, a daily newspaper printed and published in the City of Everett, County of Snohomish, and State of Washington; that said newspaper is a newspaper of general circulation in said County and State; that said newspaper has been approved as a legal newspaper by order of the Superior Court of Snohomish County and that the notice

## SUMMARY OF ORDINANCE NO. 3862 of the City of Edmonds, Washington

On the 6th day of December, 2011, the City Council of the City of Edmonds, passed Ordinance No. 3862. A summary of the content of said ordinance, consisting of the title, provides as follows:

AN ORDINANCE of the City of Edmonds, Washington, relating to contracting indebtedness; providing for the issuance of not to exceed \$12,500,000 of the City's limited tax general obligation refunding bonds to carry out the refunding of certain outstanding limited tax general obligation bonds of the City and to pay the administrative costs of such refundings and the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the Finance Director as the City's designated representative to approve the final terms of the sale and issuance of the bonds; to appoint a refunding trustee and to take certain other actions with respect to carrying out the refundings and the issuance of the bonds; and repealing ordinance No. 3837 of the City.

The full text of this Ordinance will be mailed upon request.

DATED this 7th day of December, 2011,

CITY CLERK, SANDRA S. CHASE  
Published: December 11, 2011.

Summary of Ordinance No. 3862

a printed copy of which is hereunto attached, was published in said newspaper proper and not in supplement form, in the regular and entire edition of said paper on the following days and times, namely:

December 11, 2011

and that said newspaper was regularly distributed to its subscribers during all of said period.

*Jody Shohl*

Principal Clerk

Subscribed and sworn to before me this

12th

day of December, 2011

*[Signature]*

Notary Public in and for the State of Washington, residing at Everett, Snohomish County.